

Shawnee Telephone Company Exhibit 1.0

Direct Testimony

Of

Dennis G. Koch CPA CGFM

For Shawnee Telephone Company

(ICC Docket Nos. 00-0233 and 00-0335)

Q. Please state your name and business address.

A. My name is Dennis G. Koch, and my business address is 535 Maine Street, Suite 9, Quincy, Illinois 62301.

Q. By whom are you employed and in what position?

A. I am a certified public accountant and shareholder in the public accounting firm of Wade Stables P.C., located in Quincy, Illinois

Q. Please briefly describe your educational and professional background and experience.

A. I am a 1979 graduate of Midstate College in Peoria, Illinois, holding degrees in Professional Accounting and Marketing and Sales Management. I have been employed by Wade Stables P.C. since 1983 and have been auditing telephone companies and cooperatives in Illinois and Missouri for eighteen years.

Q. On what company's behalf is this testimony submitted?

32 A. This testimony is submitted on behalf of Shawnee Telephone Company.

33

34 Q. What is your relationship with Shawnee Telephone Company?

35 A. I am the independent auditor for Shawnee Telephone Company.

36

37 Q. Have you prepared the Illinois Universal Service Funding calculations for
38 Shawnee Telephone Company using the format agreed to by the Staff and the
39 IITA?

40 A. Yes, I have. It is attached as Shawnee Telephone Company Exhibit 1.0, Schedule
41 1.01 and consists of three pages.

42

43 Q. Did you complete Shawnee Telephone Company Exhibit 1.0, Schedule 1.01 in
44 accordance with the instructions and based on Shawnee Telephone Company's
45 ICC Form 23A filed by the Company with the Commission for the year ended
46 December 31, 2000?

47 A. Yes, that is correct.

48

49 Q. Does page 1 of Shawnee Telephone Company Exhibit 1.0, Schedule 1.01 contain
50 any adjustments being proposed for Shawnee Telephone Company?

51 A. Yes, it does. An adjustment has been made to the Net Regulated Plant on line 1,
52 to Total Operating Revenues on line 14 and to Illinois High Cost Fund on line 15.
53 The adjustments reflect the Staff/IITA's standard Adjustment #1 related to RTB
54 Stock (line 1) and standard Adjustment #3 related to Out of Period Adjustments

(lines 14 and 15) as discussed and explained in the Direct Testimony of Robert C. Schoonmaker (IITA Exhibit 3.0). A summary of the adjustments has been attached as Shawnee Telephone Company Exhibit 1.0, Schedule 1.02 and consists of one page.

Q. Based on the responses and content of Shawnee Telephone Company Exhibit 1.0, Schedule 1.01, is Shawnee Telephone Company providing the Staff with certain additional documents?

A. Yes. I am providing the Staff with a copy of Shawnee Telephone Company's December 31, 2000 Trial Balance.

Q. Have you provided the requisite information from Shawnee Telephone Company Exhibit 1.0, Schedule 1.01 to Mr. Schoonmaker for his use in compiling the composite results for all companies seeking funding in connection with his testimony?

A. Yes, I have.

Q. Is Shawnee Telephone Company Exhibit 1.0, Schedule 1.01 true and correct to the best of your knowledge, information and belief?

A. Yes, it is.

Q. Does that conclude your Direct Testimony on behalf of Shawnee Telephone Company?

78 A. Yes, it does.

Shawnee Telephone Company
Illinois Universal Service Funding Calculation
Based upon ICC Form 23A Report Data for December 31, 2000

<u>Line #</u>	<u>Description</u>	<u>Source</u>	<u>Amount</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1	Net Regulated Plant	Form 23A, P 8, Net Plant	\$ 6,100,165	\$ 25,350	\$ 6,125,515
2	Materials and Supplies Inventory	Page 2, 13-Month Average	252,594		252,594
3	Customer Deposits	Form 23A, P 8, 4040	54,758	-	54,758
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	479,669	-	479,669
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			5,843,682
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 14, Total	3,955,534	-	3,955,534
8	Less: Depreciation Expense	Form 23A, P 13, 6560	1,027,052	-	1,027,052
9	Total WC Operating Expense	line 7 - line 8	2,928,482	-	2,928,482
10	WC OE Requirement	line 9 * 45 / 360			366,060
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			366,060
13	Total Rate Base	line 5 + line 12			6,209,742
14	Total Operating Revenues	Form 23A, P 11, Total	4,772,168	(100,513)	4,671,655
15	Less: Illinois High Cost Fund		688,123	(9,643)	678,480
16	Net Operating Revenues	line 14 - line 15	4,084,045	(110,156)	3,993,175
17	Total Operating Expenses	Form 23A, P 14, Total	3,955,534	-	3,955,534
18	Other Operating Inc and Exp - Net	Form 23A, P 15, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 15, 7240	58,497	-	58,497
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	70,014	(110,156)	(20,856)
21	Income Tax Expense	line 34			(8,079)
22	Net Operating Income	line 20 - line 21			(12,777)
23	Return on Rate Base	line 22 / line 13			-0.21%
24	After-tax Cost of Capital				11.21%
25	Target Net Operating Income	line 24 * line 13			696,112
26	Adj to Achieve Target Return on RB	line 25 - line 22			708,889
27	Gross Revenue Conversion Factor	line 35			1.6324
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			1,157,190
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			(20,856)
31	Illinois Inc & Rep Tax Expense	line 30 * 7.18%			(1,497)
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			(19,359)
33	Federal Income Tax Expense	line 32 * 34.00%			(6,582)
34	Total Imputed Income Tax Expense	line 31 + line 33			(8,079)
35	Gross Revenue Conversion Factor	1 / ((1 - .0718) * (1 - .34))			1.6324

Shawnee Telephone Company
Illinois Universal Service Funding Calculation
Based upon ICC Form 23A Report Data for December 31, 2000
Material & Supplies Worksheet and Other Information

Line #

1	December-99	\$225,801
2	January-00	\$225,801
3	February-00	\$242,560
4	March-00	\$258,666
5	April-00	\$249,806
6	May-00	\$249,806
7	June-00	\$259,950
8	July-00	\$259,950
9	August-00	\$293,125
10	September-00	\$274,544
11	October-00	\$276,590
12	November-00	\$350,547
13	December-00	\$116,582
14	13 Month Average	\$252,594

Sale/Lease Back Arrangement☒

The company does not have any sale(s)/lease back arrangement.

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The company does have sale(s)/lease back arrangement and has provided additional information to staff.

Lease Agreement with Affiliates☒

The company does not have any lease agreements with affiliates.

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The company does have lease agreements with affiliates and has provided additional information to staff.

Trial Balances

The Company has provided a copy of its 12/31/2000 trial balance in support of the attached exhibits.

Shawnee Telephone Company
Illinois Universal Service Funding Calculation
Based upon ICC Form 23A Report Data for December 31, 2000
Operating Revenues By Category

<u>Line #</u>		<u>Source</u>	<u>Amount</u>
1	Local Revenues	Form 23A, P 10, Total Local Network Service Revenues*	\$ 661,950
2	State Subscriber Line Charges	Form 23A, P 10, Total Local Network Service Revenues*	\$ 457,167
3	State Access Revenues	Trial Balance 12/31/00	\$ 641,615
4	State High Cost Support	Exhibit X, Line 15	\$ 688,123
5	State Special Access Revenues	Trial Balance 12/31/00	\$ 27,483
6	Total State Access & Local Revenues	Sum (Ln 1 - 5)	\$ 2,476,338
7	Federal Subscriber Lines Charges	Trial Balance 12/31/00	\$ 195,394
8	Federal Access Revenues	Trial Balance 12/31/00	\$ 1,086,198
9	Federal High Cost Support	Trial Balance 12/31/00	\$ 693,956
10	Federal Special Access Revenues	Trial Balance 12/31/00	\$ 29,581
11	Total Federal Access Revenues	Sum (Ln 7 - 10)	\$ 2,005,129
12	Misc Revenues	Trial Balance 12/31/00	\$ 290,701
13	Total Operating Revenues	Ln 6 + Ln 11 + Ln 12	<u>\$ 4,772,168</u>

* Note Shawnee Telephone Company combines Local Revenues and State Subscriber Line Charges on Form 23A. Therefore, lines 1 and 2 (above), when added together, equal Form 23A P. 10, Total Local Network Service Revenues.

Shawnee Telephone Company
Illinois Universal Service Funding Calculation
Based upon ICC Form 23A Report Data for December 31, 2000
Adjustments

<u>Line #</u>		<u>Amount</u>
1	Net Plant Adjustmment - Standard Adjustment #1 - RTB Stock	
2	Account 1401 - Investment RTB Stock	\$ 212,280
3	Account 1401.5 - Investment RTB Stock (Credit)	\$ (186,930)
4	RTB Stock Adjustment	<u>\$ 25,350</u>
	Total Operating Revenues - Standard Adjustment #3 - Out of Period	
5	Adjustments	
6	Account 5082.1 Interstate Access - Prior Period	<u>\$ 100,513</u>
	Illinois High Cost Fund - Standard Adjustment #3 - Out of Period	
7	Adjustments	
8	Illinois USF - Current Year Revenues	\$ 68,700
9	Illinois DEM Fund - Current Year Revenues	\$ 609,780
10	Total	<u>\$ 678,480</u>
11	Illinois USF and DEM Fund per Trial Balance	<u>\$ 688,123</u>
12	Adjustment to Illinois High Cost Fund	<u>\$ 9,643</u>